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CHANGING ORGANIZATIONS IN OUR COMPLEX WORLD

LEARNING OBJECTIVES

- Define organizational change.
- Explain the political, economic, social, technological, environmental, and legal forces pushing the need for change.
- Differentiate the four types of change: tuning, adapting, reorienting, and re-creating.
- Identify the following organizational change roles: change leader, change initiators, change implementers, change facilitators, and change recipients and stakeholders.¹
- Describe the difficulties in creating successful change.

Organizations fill our world. We place our children into daycare, seek out support services for our elderly, and consume information and recreational services supplied by other organizations. We work at for-profit or not-for-profit organizations, and we volunteer with them. We rely on organizations to deliver the services we need—food, water, electricity, and sanitation—and look to governmental organizations to assist our access to a variety of services that we hope will help keep us safe, secure, well governed, and successful. We depend on health organizations when we are sick. We use religious organizations to help our spiritual lives. We assume that most of our children’s formal educational needs will be competently designed and delivered by educational organizations. In other words, organizations are everywhere. Organizations are how we get things done. This is not just a human phenomenon, as coordinated actions extend to plants and animals: look at a bee colony, a reef, a lion pride, or an elephant herd, and you’ll see organizations at work.

And these organizations are changing—some of them declining and failing, while others are successfully adapting or evolving to meet the shifting realities and demands of their environments. To understand organizations and to lead them successfully, we need to embrace organizational change both as a reality and as an opportunity. The first step, then, would be to answer the question: *What exactly is organizational change?*

DEFINING ORGANIZATIONAL CHANGE

When we (the authors) think of organizational change, we think of major changes: mergers, acquisitions, buyouts, downsizing, restructuring, the launch of new products, and/or the outsourcing of major organizational activities. We also think of smaller changes: departmental reorganizations, installations of new technology and incentive systems, staffing changes, making alterations to manufacturing and customer servicing arrangements, and fine-tuning changes to improve the efficiency and effectiveness of our organizations.

In this book, when we talk about **organizational change**, we refer to planned alterations of organizational components to improve the effectiveness or efficiency of the organization.

Effectiveness refers to how well you are able to achieve the intended results, while efficiency relates to minimizing the resources needed to produce the intended results. Organizational components include the organizational mission, vision, values, culture, strategy, goals, formal (and informal) structures, processes and systems, technology, and people in an organization, including its leadership. When organizations enhance their effectiveness, they increase their ability to generate value for those they serve and consequently increase their competitive advantage.

The reasons for change are often ambiguous and could be classified as internally or externally driven. In July 2018, Tim Hortons, a Canadian-based coffee restaurant chain owned by Restaurant Brands International, announced that it was aiming to open 1,500 new stores in China in the next decade, and it increased this target to more than 2,500 in 2021 after it finalized a new fundraising round with Sequoia Capital.² This was in addition to expansion initiatives in the United States, the Philippines, Britain, Mexico, Thailand, the Middle East, and Spain. In 2022, Tim Hortons had a network of approximately 4,000 outlets in Canada and over 1,000 outlets elsewhere.³ In addition to expansion, it has also been busy revising menus to shore up flattening same-store sales, adding Wi-Fi access, partnering with Justin Bieber on marketing initiatives, undertaking major store remodeling, tackling staffing shortages, making changes to its sustainability and corporate social responsibility initiatives, and coping with the negative impact of COVID-19 during the 2020–2021 period.⁴

What is driving these changes? For Tim Hortons, the drivers of change were and are coming from both the internal and external environments. For universities around the globe that closed their campuses in spring 2020 and switched to online instruction because of the COVID-19 pandemic, the driver of change was external. It is essential for managers to be sensitive to what is happening both inside and outside their organizations and learn how to help their organizations proactively and reactively adapt to new realities, influences, and events.

Note that by our definition and focus, organizational change is intentional and planned. Someone in the organization has taken an initiative to alter a significant organizational component, which will lead to a relatively permanent shift. Usually, something formal or systemic has to be altered. For example, a new customer relations system may be introduced that captures customer satisfaction and reports it to managers; or a new division is created, and people are allocated to that division in response to a new organizational vision and structure.

Simply doing more of the same is not an organizational change. For example, increasing existing sales efforts in response to a competitor's activities would not be classified as an organizational change. However, the restructuring of a sales force into two groups, such as residential account managers and corporate account managers, or the modification of service offerings would be considered organizational change, even though these changes could well be in response to a competitor's activities rather than a more proactive, internal initiative.

Some organizational components, such as structures and systems, are concrete and thus easier to understand when contemplating change. For example, assembly lines can be reordered or have new technologies applied. The change is definable, and the endpoint is clear when it is done. Similarly, the alteration of a formal reward system is concrete and can be documented. The creation of new positions, subunits, or departments is equally obvious. Such organizational changes are tangible and thus may be easier to implement and track because they are easier to understand. However, even tangible changes have intangible attributes that need to be considered, such as existing norms, attitudes, values, and beliefs. These can influence how the proposed change is responded to and the outcomes achieved.

When the change target is more deeply embedded in the organization and is intangible, the change challenge is magnified. For example, a shift in organizational culture is difficult to engineer. A change leader can plan a change from an authoritarian to a more participative culture, but the initiatives required to bring about the change and the sequencing of those initiatives are trickier to get a hold of than are more concrete change initiatives. Simply announcing a new strategy or vision does not mean that anything significant will change since “you need to get the vision off the walls and into the halls.”⁵ A more manageable way to think of such a culture change is to identify specific changes that reinforce the desired culture. If management alters reward systems, shifts decision-making downward, and creates participative management committees, then management increases the likelihood that it will create a cultural change over time. Sustained behavioral change occurs when people in the organization understand, accept, and act. Through their actions, the new vision or strategy becomes real.⁶

The target of change needs to be considered carefully. Often, managers choose concrete tangible changes because they are easiest to plan for and can be seen. For example, it is relatively easy to focus on pay and give monetary incentives in an attempt to address employee morale. But the root cause of the morale issues might be managerial styles or processes—much more difficult to recognize and address. In addition, intervening through compensation may have unanticipated consequences and actually worsen the problem. An example of this can be found in the story below.

CHANGE AT A SOCIAL SERVICE AGENCY

In a midsized, not-for-profit agency, the family services division experienced an increase in the turnover rates of staff of more than 20%, causing serious issues with delivery and quality of services. The manager of the division argued that staff were leaving because of wages. According to him, children's aid societies' wages were

higher, and staff left to join those organizations. Upon investigation, senior management learned of morale problems arising from the directive, noninclusive management style of the division manager. Instead of altering pay rates, which would have caused significant budgetary and equity problems throughout the organization, senior management replaced the manager and moved him to a project role. Within months, turnover rates dropped to less than 10%, and the manager decided to leave the agency.⁷

In this example, if the original analysis had been accepted, turnover rates might have declined since staff may have been persuaded to stay for higher wages. But the agency would have faced financial challenges due to higher labor costs as well as a festering morale problem. This is also a story about the importance of a strong diagnostic approach to figuring out what is going on in an organization and what needs to be done.

THE ORIENTATION OF THIS BOOK

The focus, then, of this book is on organizational change as a planned activity designed to improve the organization's effectiveness and/or efficiency. Changes that are random (occur simply due to chance) or unplanned are not the types of organizational change that this book will explore, except insofar as they serve as the stimulus for planned change initiatives. Similarly, changes that may be planned but do not have a clear link to attempts to improve organizational effectiveness are not considered. That is, changes made solely for personal reasons—for personal gain, for example—fall outside the intended focus of this book.

There is a story of two stonemasons. The first, when asked what he was doing, responded, "I am shaping this stone to fit in that wall." The second, however, said, "I am helping to build a cathedral."

The jobs of the two stonemasons might be the same, but their perspectives are dramatically different. The personal outcomes of satisfaction and organizational commitment will likely be much higher for the visionary stonemason than for the "just doing my job" stonemason. Finally, the differences in satisfaction and commitment may well lead to different organizational results. After all, if you are building a cathedral, you might be more motivated to stay late, to take extra care, to find ways to improve things, and to help others when help is needed.

In other words, the organizational member who has a broader perspective on the value of their contributions and on the task at hand is likely to be a more committed and capable contributor. As a result, the authors take a perspective that encourages change leaders to take a holistic perspective on change and to be widely inclusive in letting employees know what changes are needed and why they are happening.

If employees have no sense of the intended vision and see themselves as "just doing a job," it is likely that any organizational change will be difficult to understand, be resisted, and cause personal trauma. On the other hand, if employees "get" the vision of the organization and understand the direction and perspective of where the organization is going and why, they are more likely to embrace their future role—even if that future means they leave the organization.⁸

This book is aimed at those who want to be involved in change and wish to take positive actions. We encourage readers to escape from passive, negative change recipient positions and to move to active and healthy roles—those of change initiators, facilitators, and implementers. Readers may be in middle manager roles or may be students hoping to enter managerial roles. Or they may be leaders of change within an organization or a subunit. This book is also intended for the informal leaders in organizations who are driving change, sometimes in spite of their bosses. They might believe that their bosses “should” be driving the change but don’t see it happening—they see it as up to them to make change happen, regardless of the action or inaction of their managers.

This book has an action, “how to do it” emphasis. Intentional organizational change does not happen unless people make it happen. As someone once said, “The truth is—the cavalry isn’t coming!” There will be no cavalry charging over the hill to save us. It is up to us to make the changes needed. At the same time, this “how-to” orientation is paired with a focus on developing a deep understanding of organizations. Without such an understanding, change efforts will be much more difficult because what needs to be changed might not be identified correctly, as was the case with the social service agency example, and the critical success factors could be missed. This twin theme, of knowing both what to change and how to change it, underpins the structure of this book and our approach to change.

Change capability is a core managerial competence. Without skills in **leading and managing change**, individuals cannot operate effectively in today’s fluctuating, shifting organizations.⁹ Senior management may set the organizational direction, but in this decentralized organizational world, it is up to managers and employees to shift the organization in a way that accomplishes the new goals and objectives. To do this, change-management skills are paramount. In many organizations, change leaders are looked to for insights, innovative ideas, and initiatives that will make a positive difference in their firms. Research firms such as Cisco, Salesforce, Wegman’s Food Market, Marriott, St. Jude Children’s Hospital, Deloitte, The Cheesecake Factory, and others listed on Fortune 100’s best places to work for, and you will find many examples of firms embracing these practices.¹⁰ They do so with a realistic appreciation for the fact that **change management** is often more difficult than we anticipate. We believe, as do Pfeffer and Sutton, that there is a Knowing–Doing gap.¹¹ Knowing the concepts and understanding the theory behind organizational change are not enough. This book is designed to provide practicing and prospective managers with the tools they will need to be effective change leaders.

Environmental Forces Driving Change Today

Much change starts with shifts in an organization’s external environment. For example, government legislation dealing with employment law pushes new equity concerns through hiring practices. Globalization or the more recent pressures to deglobalize and localize mean that marketing, research-and-development, production, and other parts of an organization (e.g., customer service’s call centers) may need to be relocated or sourced elsewhere.¹² International alliances form and reform. These and related factors mean an organization’s competition is often global in nature rather than local. New technologies allow purchasing to link to production within an integrated supply chain, changing forever supplier–customer relationships. Concerns over global warming, sustainability, and environmental practices give rise to new laws, standards, and shifts in consumer preferences for products and firms that exhibit superior environmental performance.

A competitor succeeds in attracting an organization's largest customer and upsets management's assumptions about the marketplace. Each of these external happenings will drive and push the need for internal, organizational change. Matters are made more complex because they also interact with and influence one another. For example, technological changes may give rise to social change pressures, which, in turn, influence political and legal changes. These factors are summed up in the acronym PESTEL. **PESTEL factors** stand for political, economic, social, technological, ecological/environmental, and legal factors that describe the environment of an organization.

These PESTEL factors are not simply private-sector realities. Not-for-profits, hospitals, schools, and governments all experience these environmental challenges as the world becomes more interconnected and the seeming pace of change accelerates and increases in complexity. Not-for-profits or NGOs (nongovernmental organizations) and various governmental bodies respond to hunger in war-torn Ukraine, Somalia, and Afghanistan, while public universities and hospitals respond to for-profit competitors. Governments around the world deal with environmental challenges, enhancing their competitiveness and attracting employers, hopefully in sustainable and socially responsible ways. No organization is immune to external pressures.

Sometimes organizations are caught by surprise by environmental shifts. Some organizations, like people, may have been living in denial, while other organizations have anticipated and planned for new situations or have been quick to respond. For example, management may have systems to track the perceived quality and value of its products versus its competition. Benchmarking data might show that its quality is beginning to lag behind that of a key competitor. These environmental scanning and early warning systems allow for action before customers are lost or provide paths to new customers and/or new services. Toyota had such systems in place, but management appears to have responded inadequately.

MISREADING THE ENVIRONMENT— ESCALATING RISKS AND MISSED OPPORTUNITIES

Most of us live in cities, and they are vulnerable to environmental challenges. Heat waves, hurricanes, tornadoes, wildfires, sea-level rises, droughts, and air pollution are escalating in frequency and intensity. The risk-management firm Verisk Maplecroft assessed the vulnerability of the world's 576 largest urban areas, and the news is not good. The probability of extreme events is rising, and with it, adverse consequences. For example, nearly 20% of the deaths in India in 2019 were attributed to foul air quality, and the heightened risk of hurricanes due to global warming haunts the U.S. eastern seaboard and gulf areas.¹³

The hopeful news is that ways of mitigating these risks are becoming increasingly viable and affordable. These are creating opportunities that many organizations and governments are exploring and, more importantly, acting upon. However, in spite of the scientific evidence that has been ringing alarm bells for years, the availability of constructive options and people raising their concerns, many organizations and governments are either resisting change or have been slow to react. This failure to change is exacerbating the potential consequences and costs for all concerned.¹⁴

We've seen this failure of organizations to act in a timely and constructive manner far too many times. The financial crisis of 2008 occurred because banks and regulators failed to comprehend the risks the banks were taking with asset-backed securities and other derivatives. Incentive systems drove bankers to take on excessive risks for excessive profits, and the voices that were raising serious concerns were not listened to or were silenced. When the bubble burst, the results were catastrophic. Bankers and their regulators misread both the ethical and business implications of what was going on. Either there was collective myopia (possibly groupthink) at work with respect to mounting evidence of excessive risk from very credible sources, or the rewards and short-term performance pressures were such that bankers and regulators chose to ignore the warning clouds.^{15, 16}

It's beyond the scope of this book to explore all of the environmental factors that we need to pay attention to. However, in the following section, we will highlight some of the important trends that should be on our radar. As is always the case, organizations find themselves influenced by a myriad of forces: changing social, cultural, and demographic patterns; technological advancements; concerns about the physical environment and social responsibility that are producing demands for changes in our products, services, and business practices; a global marketplace that sends us competing worldwide and brings competition to our doorsteps; political and legal forces that have the potential to transform the competitive landscape; wars in Ukraine and elsewhere; pandemics such as COVID-19; disrupted supply chains; political uncertainties, and trade wars. These are all factors that have the potential to influence the need for organizational change and, as such, the ones relevant to particular organizations need to be factored in when making decisions.

The Changing Demographic, Social, and Cultural Environment

Age Matters. The social, cultural, and economic environment is being dramatically altered by demography. Demographic changes in the Western world and parts of Asia mean that aging populations will gray the faces of Europe, Canada, China, and Japan.¹⁷ Even before the huge rise in government deficits of 2009 and 2020/21, Standard & Poor's predicted that the average net government debt-to-GDP ratio for industrialized nations would increase from 33% in 2005 to 180% by 2050 due to rising pension and health care costs¹⁸ if changes were not undertaken. In 2013 and 2016, they reported modest progress had been made on this debt challenge,¹⁹ but COVID-19, the war in Ukraine, and other factors (e.g., supply chain disruptions at a national level and inflation) have precipitated a sharp rise in the level of net government indebtedness globally.²⁰

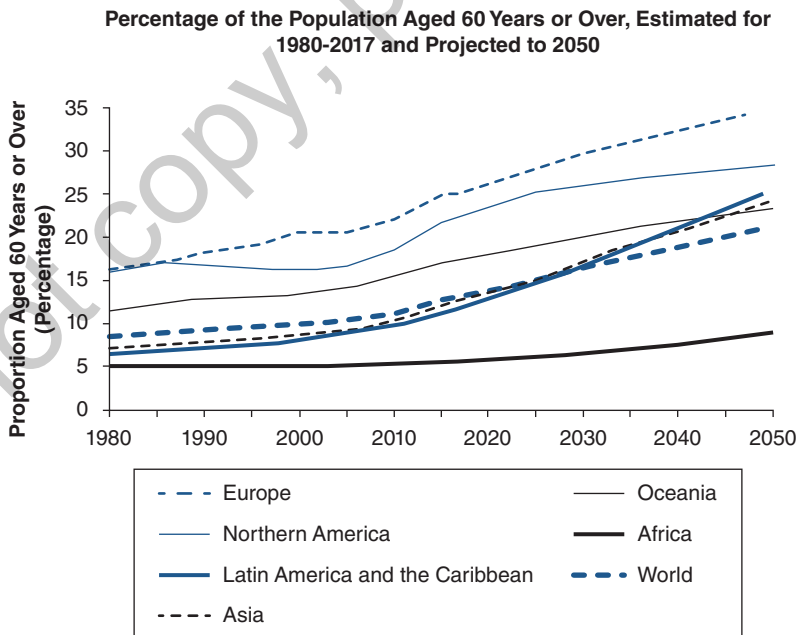
Although the United States will age less quickly than other developed nations, all developed countries will face serious dependency challenges due to senior citizens requiring medical care and pension support. By 2050, the median age in the United States is projected to be 41 versus 45 in China and 50 in Europe. The United States will keep itself younger than Europe through immigration and a birth rate that is close to replacement level.²¹ Even in the United States, growth assumptions have come under question as the rate of immigration has declined in the aftermath of the economic slowdown and questions around emigration policies remain highly politicized. If nothing changes, it is estimated the U.S. governmental debt-to-GDP ratio will grow to 472% of GDP by 2050, due mainly to pension and health care costs.²² The debt-to-GDP in aging European

countries will be around 300% to 400% of GDP, despite older populations, due to more cost-efficient approaches to the management of government debt in these areas. On the high side, Japan's debt-to-GDP ratio is predicted to reach 729%. The European Union's population is projected to peak in 2025 at around 470 million and then begin to decline, while the United States reached 335 million in 2020 and is predicted to continue to grow thereafter to 398 million in 2050.

When Fernando Peres's grandmother developed dementia and died in 2013, he noticed the lack of preparedness in countries like Brazil for this escalating health challenge, and he was moved to action. Since that time, he has been an advocate for change, aimed at raising awareness and showing how we can help those afflicted to lead fulfilling lives. His efforts are not going unnoticed. His writing has attracted 150,000 followers, and he is currently working to gather individuals with dementia and their caregivers for a 50-mile walk on the Camino de Santiago in 2023. His goal is to heighten awareness of what's possible if we develop a more positive societal approach to the condition. Peres states: "It's a project to empower people with dementia and their families. After getting a label, people will say you can't travel, you can't walk the Camino, you can't do anything anymore. We're doing the opposite."²³

The reason the global population is aging is because fertility rates are falling and falling fast throughout the world (see Figure 1.1).^{24,25} In 1974, only 24 countries had fertility rates below replacement levels, but by 2019, 92 of 201 countries (including China) had fertility rates below replacement levels.²⁶ An aging population will place huge strains on the health care system, and there will be fewer working-age individuals to support them.

FIGURE 1.1 ■ Percentage of the Population Aged 60 Years or Over, Estimated for 1980–2017 and Projected to 2050



Source: U.N. Department of Economic and Social Affairs.²⁸

In the 1960s, there were six people in the workforce to support each retired person. By 2020, there were three persons, and by 2035, the ratio is expected to be two individuals for each retiree.²⁷

Some see a close tie between female education, fertility rates, and economic growth. When economies are poor, the fertility rate is high, and there are many young dependents relying on working adults and older siblings for sustenance. When fertility rates begin dropping in such nations, the ratio of working adults to dependents increases, leading to an increase in per-capita wealth. Mexico and China are examples of this currently. When this bulge ages, dependent, nonworking seniors become a larger percentage of the population, so these advantages tend to disappear over time as incomes rise and fertility rates fall.²⁹ As discussed above, this has happened and is happening in much of the developed world. India and most of Africa are examples of areas with a smaller proportion of dependents (the young and the old) relative to their working populations, and this is something referred to as an economic dividend. However, it is only a dividend if the population has the skills and abilities needed, there are infrastructure and policies in place to support employment, and there are markets for the goods and services they are producing—factors many developing nations are finding very challenging, as international trade continued to experience major disruptions in 2022.^{30, 31}

These demographic shifts can take decades to work their way through, but the economic implications for organizations are significant. Imagine 400 million to 500 million relatively wealthy Americans and the impact that will have on global economic power, assuming that pension and health care challenges are effectively managed. Consumer spending in developing countries is expected to grow to \$44.8 trillion by 2030, eclipsing the \$19.2 trillion in North America and Europe.³² Also imagine the impact of a declining workforce in graying Europe, China, and Japan. Some estimates put the fiscal problems in providing pensions and health care for senior citizens at 250% of national income in Germany and France.³³

Companies appear to be ill prepared to deal with this aging population.³⁴ Both private- and public-sector employers are waking up to these pressures and attempting to bring about changes to their pension programs that will be more sustainable, but the journey will not be easy. Public pushback to reductions in pension income and other entitlement programs has been strong, and even relatively modest proposals for shifts to policies such as increasing the age of retirement by a year or two have faced widespread resistance. This is resistance that scares politicians because these are also people who are most likely to vote and who are also feeling vulnerable as they find their savings are insufficient to sustain their lifestyles.^{35, 36} Pressures on retirement savings, combined with the desire for mental stimulation and social engagement that comes with longer life spans, has resulted in people increasingly extending their working life past the age of 65.³⁷

An aging population also provides new market opportunities. Seventy is increasingly being viewed as the new 50, and growth is expected in sectors such as travel, financial services, gardening, golf and other recreational activities, home renovations, eldercare, and medical services. With aging populations, organizations can expect pressures to manage age prejudice more effectively. Subtle discrimination based on age will not be accepted. Innovative solutions will be welcomed by aging members of the workforce and an increasing necessity for employers. See the story below.

OLDER WORKERS CAN'T BE IGNORED

"The day is coming when employers are going to embrace the value of older workers. They don't have a choice," writes Kerry Hannon. Demographic and fiscal realities are making the retention of older members of the workforce escalate in importance and give rise to innovations in working relationships, from full-time to flexible work relationships and contract positions. Some employers are realizing the benefits that these employees can bring with them and are recognizing the importance of investing in them before their knowledge walks out the door. Employers that fail to adjust their approach to older employees will find themselves seriously at risk as U.S. labor markets reflect the demographic realities that come with low birthrates and an aging population.³⁸

KPMG has publicly recognized the benefits, noting that "older workers tend to be more dedicated to staying with the company, a plus for clients who like to build a relationship with a consultant they can count on to be around for years."³⁹

Diversity Matters

Other demographic issues will provide opportunities and challenges. In the United States, Latinos will play a role in transforming organizations. The numbers of Latinos jumped from 35.3 million during the 1990s to 62.1 million or 18.9% of the population in 2020 (up from 13% in 2000), making them the largest ethnic/racial group in the United States.⁴⁰ They are also much younger (29.8 versus the national average age of 38.5.), and 65.6% of Latinos have been born in the United States. Significantly, the largest growth often is in "hypergrowth" Latino destinations such as Nevada and Georgia,⁴¹ some of which have seen an increase of more than 300% in Latino populations since 1980. The immigration component of this growth rate was adversely affected by COVID-19, the U.S. economic downturn, and government policies, but it is predicted to continue upward due to domestic population growth, difficult conditions in other parts of Latin America, U.S. labor shortages, and the impact that a return to economic health in the United States will have on immigration.

There have also been significant demographic shifts in Europe and parts of Asia as people move from disadvantaged areas (economic, social, and political) in search of greater opportunities, security, and social justice. These trends are likely to continue, and as in the United States, they provide both challenges and opportunities. For countries like France, Germany, and Austria, they help to moderate the effects of an aging population by providing new entrants to the workforce and new customers for products and services. However, they also represent integration challenges in terms of needed services and there has been a backlash from some groups, who see them as both an economic and social threat.

Resistance to immigration reform in the United States, the tightening of emigration rules in other countries, the rise of anti-immigration political parties in Western Europe, and the January 2019 shutdown of the U.S. federal government over the disputed wall on the U.S.–Mexico border are evidence of the fact that this issue is far from being resolved. In Europe, debate around these topics has given rise to some electoral success by what used to be fringe parties in Sweden, France, and Italy (to name three) and isolated examples of

violence.⁴² More recently, the “great replacement theory” has moved from the fringes of society and is adding fuel to factors that are leading to increased polarization and violence. This supposed theory argues that whites are being put at a disadvantage as the proportion of nonwhite individuals increases in North America and Europe.⁴³

Our assumptions about families, gender, and religious affiliation will also continue to be challenged in the workplace and marketplace of the future. Diversity, inclusiveness, and equity issues will challenge organizations with unpredictable results. Some nations have implemented laws around certain religious practices (typically associated with dress and visible symbols in schools and workplaces) that are viewed by many as discriminatory.⁴⁴

Matters related to same-sex marriage, gender identity, gender equity, and race continue to be challenging for many organizations as laws and behavioral norms related to what is acceptable slowly evolve. Bad behavior is now more likely to be exposed, and governments and organizations seem to be altering policies and procedures in meaningful ways. Public reactions to the reported behaviors of Harvey Weinstein (film producer), Roger Ailes (Fox News chairman), Didia Lombard (CEO of the French telecom Orange), Kevin Spacey (actor), and many other powerful individuals attest to this. Christine Blasey Ford and Brett Kavanaugh’s 2018 Supreme Court hearing concerning allegations of gender violence attracted over 20 million viewers,⁴⁵ and the strength of subsequent responses suggest public concerns and demands for action on gender- and race-related matters are increasing. However, there are still significant hurdles to overcome, and in too many parts of the world, matters related to gender, race, and religion represent life-and-death issues.

In some nations, employment- and human rights-related legislation have gone a long way toward advancing the interests and acceptance of diversity by providing guidance, rules of conduct, and sanctions for those who fail to comply. However, issues related to diversity, equity, and inclusion (DEI) still need to be attended to by both governments and organizations. Participation and career advancement rates and salary level differences continue to attract the attention of politicians, the public, and the courts. Further, they constrain the development of talent in organizations and have adverse consequences on multiple levels—from the ability to attract and retain to performance and attitudinal outcomes that can, in turn, influence the culture and work climate of the firm. For example, women were significantly more adversely affected globally by COVID-19 on the employment front, and many have not yet returned to the workforce.⁴⁶

What happens when race- and gender-related issues boil over? In 2014, the intense news coverage and disciplining of Donald Sterling, the owner of the Los Angeles Clippers NBA franchise, for racist comments made during a private conversation point to the extreme distress it caused members of the team and the reputational and brand consequences his behavior had on the franchise and the league itself. Only the swift actions of NBA Commissioner Adam Silver contained the damage, facilitated the sale of the franchise, and clearly signaled what was expected of owners.⁴⁷ On the gender front, the #MeToo movement has awakened many to bad behavior (e.g., abuse of power, bullying, harassment, and sexual violence) in the workplace, and the consequences in terms of heightened awareness have been significant. There are many other gender- and race-related issues on a global scale that need additional attention and action by organizations in order to ensure that they are not contributing to the problem. These include health- and

safety-related matters and the fair treatment of employees in other organizations that are supplying them with goods and services. Organizations used to be able to argue “I’m not responsible—they were just my supplier,” but that is no longer the case. Customers and regulators are expecting firms to exercise appropriate oversight when they select suppliers, and there are consequences when they fail to do so.⁴⁸ Four companies who have benefitted by focusing on ethical sourcing and manufacturing are Patagonia, Starbucks, H&M, and the Dr Pepper Snapple Group.⁴⁹

Organizational risks in these areas are not just related to the actions of senior management. Social media exposure extends the risks to all levels of the firm, where postings from organizational members can and do go viral with adverse consequences (more will be said about this later). Employees in the United States have certain protections when it comes to discussing working conditions with others online. In the case of fast-food restaurants, this has manifested itself into a very public national campaign to increase the minimum wage from \$7.50 to \$15.00 per hour. This campaign began on social media and has now given rise to pay increases by some firms and minimum wage increases at the state level.⁵⁰ Firms are finding they must respond very carefully, in part because of the labor shortage in mid-2022 and the public’s connection to a workforce where matters of age, gender, race, ethnicity, and economic fairness are very visible.⁵¹ When employee postings go over the line on matters of race, gender, diversity, and equity, firms need to act and be seen to be acting quickly and appropriately in order to control damage.⁵²

Being viewed as proactive and progressive in these areas can create advantages for firms in terms of attraction, retention, and the commitment levels of employees and customers. Firms such as TD Bank communicate this commitment very publicly and have been recognized as one of the best employers by Diversity Inc., Corporate Knights, and the Human Rights Campaign.⁵³ Multinational corporations, such as IBM, view workforce diversity management as a strategic tool for sustaining and growing the enterprise.⁵⁴ That doesn’t mean it is easy. Google has sought to increase the diversity of its workforce for several years. In May 2014, it publicly recognized its lack of diversity (30% women, 2% Black, and 3% Hispanic) and committed itself to aggressively address this through significant external and internal initiatives geared to attracting more individuals from these groups to technical careers and Google. In order to spur action, the company has been very public in reporting on actions and progress. In its 2022 annual diversity report, Google highlighted global initiatives and improvements while noting that it still had a long way to go.⁵⁵ Smaller and medium-sized firms (particularly tech start-ups) are increasingly recognizing the importance of this as they attempt to scale their operations.

Race, gender, age, and all other DEI-related challenges multiply once organizations extend their footprints internationally. Differing rules, regulations, cultural norms, and values add to the change leadership challenges that need to be managed as people learn to work with one another in efficient, effective, and socially appropriate ways. Think of the workforce challenges that a North American, Brazilian, or Indian firm needs to address when establishing its presence in a different part of the world. How will workers deal with norms and values in these areas that run contrary to their core values? This is not just an issue for larger organizations. Increasingly, smaller firms find themselves facing international challenges as they seek to grow. These come in many forms—from managing virtual, globally dispersed teams and supply chains to dealing with the complexities of joint

ventures. While the challenges can seem daunting, an increasing number of small and midsize companies are succeeding on the global stage. A study of 75 such firms highlights the strategies and tactics that have produced positive results. Change leadership skills in these firms play a critical role in their survival and success.⁵⁶

The Physical Environment and Social Factors Matter

Concerns over global warming, the degradation of the environment, sustainability, and social responsibility have escalated societal pressure for change at the intergovernmental, governmental, multinational and national corporate, and community levels. Accountability for what is referred to as the “triple bottom line” and more recently ESG (environment, social and governance) is leading more multinational firms to issue audited statements and commentary in their annual reports that speak to their progress on economic, social, ecological, and governance fronts. This is giving increased exposure to matters of sustainability and their ethical practices, and it has the potential to significantly alter consumer and investor behavior.⁵⁷ The 2013 fire and building collapse involving garment suppliers in Bangladesh (1,100 workers killed), our recent experience with COVID-19, and ongoing reports concerning the degradation of the environment and climate change intersect with questions about the role of multinational corporations and governments in the health and safety of people and the protection of the environment.

The 2010 pictures of BP’s oil well gushing millions of gallons into the Gulf of Mexico combined with pictures of oil-coated pelicans, drought, extreme heat, storm-related flooding, and disappearing ice masses reinforce the message that action is urgently needed. While the Paris Agreement on Climate Change was hailed as a breakthrough, the United States’ decision to withdraw from it cast doubt on the future of coordinated global abatement efforts, even though the United States officially rejoined the agreement in 2021. The increasing frequency of extreme weather events (e.g., fires, floods, storms, droughts, extreme heat events) and their human impact will cause the pressure for action to intensify in the years ahead. The question is more a matter of how quickly the intensifying pressure for action will reach a tipping point, and will that tipping point come in time? The growing number of credible reports expressing serious concerns over the future of seaside metropolises such as Miami due to sea-level rises, the increasing frequency of storms, extreme heat events, and imminent threats to its water supply will hopefully hasten that tipping point and advance needed changes before it is too late.⁵⁸

On a positive side, a number of companies proactively address sustainability, such as Google, which became carbon neutral back in 2007, then started to match 100% of its annual global electricity consumption with renewable energy, and now plans to operate on 24/7 carbon-free energy by 2030.⁵⁹ There is also mounting evidence of the advantages that can accrue to organizations that think about these issues proactively and align their strategies and actions with their commitment to sustainability and corporate social responsibility.⁶⁰ Reported benefits range from increased employee commitment to positive customer reactions and improved financial performance. The reputational and financial damage firms can incur when they are found to have failed to behave responsibly can be severe (e.g., Volkswagen’s falsification of diesel emissions tests; Facebook).⁶¹

WORK FROM HOME—AN ANOMALY OR A REVOLUTION?

Organizations were finding it difficult to attract and retain employees in 2022. To cope, they are offering higher compensation and an increasing number are also offering the opportunity to continue to work from home on either a full-time or hybrid basis. Fifty percent of U.S. firms⁶² have voiced serious reservations about the consequences of virtual work on their productivity and culture and are requiring a return to the office. Others have been much more open to embracing virtual and/or hybrid work arrangements. They argue that it increases flexibility, lowers costs for both employers and employees, and reduces carbon footprints. It has been estimated that this shift to work from home could shrink the demand for office space over the next decade, causing the value of U.S. office properties to fall by 28% to 38% below 2019 levels.⁶³

How would you respond to the challenge of virtual work if you were the mayor of a major city or the major owner of an office-space firm?

New Technologies

In addition to responding to environmental and demographic changes in the workplace and marketplace, organizations and their leaders must embrace the trite but true statements about the impact of technological change. Underpinning technological change is the sweeping impact that the digitization of information is having. The quantity of data available to managers is mind-boggling. It is estimated that digital data grew from 400 billion gigabytes of Web-enabled data in 2013 to 79 zettabytes⁶⁴ by 2020, and this is expected to be 181 zettabytes by 2025.⁶⁵ The explosion in the amount of data available will be aided by the impact of inexpensive nano-scale microelectronics that will allow us to add sensors and collection capacity to just about anything. The use of *data mining* methodologies and artificial intelligence is becoming increasingly common in organizations that seek to transform data into information. The following list of technological innovations points to the breadth of changes we can anticipate. This is not the stuff of science fiction. In most of these areas, applications are already present, and costs are declining rapidly:

- Software that writes its own code, reducing human error
- Big data combined with artificial intelligence will bring breakthroughs in a host of different areas (for example, think of its impact on vaccine development) but also give rise to very serious ethical and legal concerns⁶⁶
- Health care by cell phone, laptop, and app
- Vertical farming to save space and increase yield⁶⁷
- The Internet of Things, cloud technology, and crowdsourcing are providing access to massive data pools that can be translated into useful information and action.
- The automation of knowledge work
- Advanced robotics, from industrial applications to surgery

- Wearable computing, from basic data gathering to human augmentation and computer–brain interfaces
- Autonomous and near-autonomous cars, trucks, busses, farm equipment, ships, and planes⁶⁸
- Next-generation genomics, from agricultural applications to substance production (e.g., fuel) and disease treatment applications
- Renewable energy and energy storage breakthroughs that will change energy access and cost equations
- 3D printing for applications as varied as the production of auto parts and human body parts
- Advanced materials (e.g., nanotechnology) for a host of applications that will result in dramatic reductions in weight and improvements in strength, flexibility, and connectivity
- Advanced oil and gas exploration and recovery technologies⁶⁹
- The use of blockchain technologies and crypto currencies to change the way we undertake and securely record transactions on digital ledgers that can't be tampered with. These can be used to record and track ownership, execute contracts, transfer ownership rights and obligations, and make payments, to name a few of the potential applications.

Technology has created new opportunities and woven our world together, but it has also created stress points in society. It has disrupted existing markets and employment patterns due to our adoption of new classes of goods and services. It has lowered costs, accelerated innovation, and created new ways of working and collaborating with people located virtually anywhere.

The cost of a 3-minute phone call from the United States to England dropped from more than \$8 in 1976 to less than \$0.06 in 2014 when VoIP (voice over Internet protocol) was used for a call to a landline or cell phone. When both the sender and receiver have the appropriate software (e.g., Skype, WhatsApp) and Wi-Fi connection, the cost goes to 0. The number of transborder calls in the United States was 200 million in 1980.⁷⁰ Estimates of the numbers today are in the tens of billions. The proliferation of alternative communication channels, including SMS texting, WhatsApp, Facebook, Messenger, Skype, Microsoft Group, and their equivalents on other platforms have transformed the communication landscape. The number of cell phones in use totaled 7.3 billion in 2022, meaning one for almost every person alive. In 2022, it was estimated that 6.6 billion of these were smartphones, meaning 83.7% of people could access the power of the internet through their phones.⁷¹

The impact of technology is very visible in how we responded to COVID-19. Telecommunication advances allowed us to pivot in a few days or weeks from working in an office or school to collaborating with coworkers, students, customers and other stakeholders while working from home. Can you imagine how difficult that would have been in 2015? The development of COVID-19 vaccines provides an even more striking example. By marshalling AI, global information sharing, and the virtual collaboration of individuals located around the globe, the traditional vaccine development cycle was shortened from 10 to 15 years to 1 year.⁷²

Our embrace of digital technology and connectedness has opened the world to us and made it incredibly accessible, but it has come with costs. Security concerns related to viruses and hacking have also escalated, and serious breaches are common occurrences. In 2020, 737 million files were breached. Phishing scams continue to escalate, and both individuals and firms have experienced an increasing number of ransomware attacks.⁷³ In September 2018, Facebook reported that 50 million of its accounts were directly affected by a hack.⁷⁴ The cost to firms responding to these threats and breaches is in the billions, and that doesn't include the damage done to customer trust and loyalty. Costs related to online fraud and identity theft are in the billions (some put the estimates in excess of \$100 billion) and growing rapidly.⁷⁵ Issues related to the loss of privacy, industrial espionage, and sabotage involving both firms and government agencies have also become common.⁷⁶ On a business-to-business level, weaving supply chains together through software allows them to operate effectively and efficiently while at the same time opening them to risks.⁷⁷

With the Internet, students around the globe can access the same quality of information that the best researchers have if it is in the public domain (which is increasingly the case) and if their government hasn't censored access to it. At the same time, the technology that has made the world smaller has also produced a technological divide between haves and have-nots that has the potential to produce social and political instability. Aspects of the gap are closing, as is seen in the growth of smartphones, laptops, tablets, and internet access in the developing world. Laptops are now available in India at under \$130, and the cost of a tablet has dropped to below \$50.⁷⁸ Lack of access to clean water, sufficient food, and needed medication is less likely to be tolerated in silence when media images tell people that others have an abundance of such resources and lack the will to share. Events such as the Arab Spring, Black Lives Matter protests, the January 6, 2021, U.S. Capitol attack, and the mobilization of public support in the war in Ukraine point to the power this technology has in mobilizing public interest and action. Technology transforms relationships. Facebook, LinkedIn, X (formerly known as Twitter), and their equivalents keep us connected, 17% of U.S. marriages started through online dating in 2021, and people have even been found attempting to text in their sleep.⁷⁹

SOCIAL MEDIA: A POWERFUL CHANGE TOOL

Social media has fundamentally altered thinking about change management. It has changed how information is framed, who frames it, and how quickly it migrates from the few to the many. It can stimulate interest, understanding, involvement, and commitment to your initiative, and it can also be used to create anxiety and confusion and used to mobilize opposition and resistance. It can create communities of shared interest, but it can also serve to isolate communities when they choose to only search out information that confirms their view of the situation. The one thing it can't be is ignored!

Our purpose is not to catalogue all new and emerging technologies. Rather, our intent is to signal to change agents the importance of paying attention to technological trends and the impact they have on organizations, now and in the future. As a result of these forces, product development and life cycles are shortened, marketing channels are

changing, and managers must respond in a time-paced fashion. Competitors can leapfrog organizations and drop one-time market leaders into obsolescence through a technological breakthrough. The advantages of vertical integration can vanish as technical insights in one segment of the business drive down the costs, migrate the technology through outsourcing to other segments, or otherwise alter the value chain in ways that had not been anticipated.

Is this overstating the importance of paying attention to how rapidly technological and social change can alter the competitive landscape? BlackBerry went from creating and dominating the smartphone business to being forced to exit it in 2016. Dramatic downsizing and reinvention became the order of the day as BlackBerry executives searched for new paths and renewed market relevance. It has taken the company years to regain its competitive footing as a cybersecurity software and connected-cars firm.⁸⁰ Now shift your thoughts to the automotive sector. What will the emergence of self-driving electric vehicles mean for manufacturers and their suppliers and distributors? What will they mean for city planners, urban transit, and taxi drivers? Prototypes are currently driving on the streets of Austin, Miami, Mountain View, California, and elsewhere.⁸¹ The watchword for change leaders is to be aware of technological trends and be proactive in considering how to respond to organizationally relevant ones.

Political Changes

The external political landscape of an organization is another reality that change agents need to pay attention to. Even the largest of multinationals has minimal impact on shaping the worldwide geopolitical landscape and the focus of governing bodies.⁸² However, if they are attentive and nimble, their interests will be better served.

The collapse of the Soviet Empire in the 1990s gave rise to optimism in the West that democracy and market economies were the only viable options for modern society.⁸³ There was the sense that there was no serious competitor to free-market democracy, and the belief existed that the world would gradually move to competitive capitalism with market discipline.

Of course, this optimism was not realized. Nationalistic border quarrels (India–Pakistan, for example) continue. Some African countries have become less committed to democracy (Zimbabwe and Ethiopia). Nation-states have dissolved into microstates (Yugoslavia and Sudan) or had portions annexed as in the case of Crimea. While American power may still be dominant worldwide, September 11, 2001, demonstrated that even the dominant power cannot guarantee safety. Non–nation-states and religious groups have become actors on the global stage. The Middle East, north and central parts of Africa, Venezuela, and Central Asia continue to be in turmoil, creating political and economic uncertainty.

Changes in the economic performance of nations have also altered the geopolitical landscape. Growth in China and India has slowed in the wake of COVID-19 and the war in Ukraine, but they continue to grow at more than twice the rate of the developed world.⁸⁴ Other African and Asian nations have also experienced more rapid economic growth than the developed world over the past decade. However, progress in the developing world slowed in the face of protectionism, trade wars, and constrained capital flows and went into reverse with the arrival of COVID.⁸⁵ Grinding poverty rates and a lack of infrastructure and social support are still the reality for hundreds of millions of people who live in these areas.

As organizations become more global, they need to clarify their own ethical standards. Not only will they need to understand the rules and regulations of each country, they will also have to determine what norms of conduct they will work to establish for their organizational members and what constitutes acceptable and unacceptable behavior. Peter Eigen, chairman of Transparency International, states: “Political elites and their cronies continue to take kickbacks at every opportunity. Hand-in-glove with corrupt businesspeople, they are trapping whole nations in poverty and hampering sustainable development. Corruption is perceived to be dangerously high in poor parts of the world, but also in many countries whose firms invest in developing nations.”⁸⁶

Left unaddressed, political corruption can become embedded in organizations. Transparency International finds bribery most common in public works and construction and arms and defense corporations.⁸⁷ The accounting and governance scandals of 2001 to 2002 (Enron and WorldCom), followed by an almost uninterrupted series of major ethical lapses in global financial services and banking, pharmaceutical, and government sectors (to name just three), have created public demands for transparency, accountability, regulations with teeth, and heightened expectations that firms should be expected to behave in socially responsible manners. Some companies—Hewlett-Packard, H&M, Tesco, Loblaw, and Apple—for example, have responded by requiring that they and the participants in their supply chain adhere to a set of specified ethical standards. Further, they are committed to working with their suppliers to ensure they reach these standards.⁸⁸

The politics of globalization and the environment have created opportunities and issues for organizations. The United States’ Obama Administration was committed to the introduction of new green energy initiatives, but the election of Donald Trump placed U.S. progress in this area in doubt. These areas have received renewed support from the Biden regime, but translating this into concrete progress has proven difficult.

The desire to reduce the world’s dependence on foreign oil and coal has meant subsidy programs for new technologies and opportunities for businesses in these fields. It has also led to an explosion of energy recovery methods, such as fracking, which bring with them their own ethical issues. Some organizations are restructuring themselves to seize such opportunities. For example, Siemens reorganized itself into three sectors—industry, energy, and health care—to focus on megatrends.⁸⁹ Senge and his colleagues argued that the new environmentalism would be driven by innovation and would result in radical new technologies, products, processes, and business models.⁹⁰ The rapid rates of market penetration for such technologies and the decline in their costs are evidence that Senge was right.

World politics is not the everyday focus for all managers, but change leaders need to understand its influence on market development and attractiveness, competitiveness, supply chains, and the resulting pressures on boards and executives. Firms doing business in jurisdictions such as Russia, China, the United Kingdom, and Argentina know this all too well. Issues related to climate change, water and food security, power, urbanization, public transport, immigration, health care, education, trade, employment, war, and our overall health and safety will continue to influence political discussions and decision-making at all levels—from the local to the international context. A sudden transformation of the political landscape can trash the best-laid strategic plan. The 2022 escalation of the war in Ukraine by Russia provides ample evidence of that. In addition to the devastation that comes with war, it is creating chaos on multiple fronts, including global food insecurity, millions of fleeing refugees, major supply chain disruptions, and the heightened risks of environmental catastrophes, to name just four.

The growth of populist and antiglobal sentiments in Europe and the United States has demonstrated how political surprises (e.g., the Brexit vote in the UK and the election of Donald Trump) can quickly disrupt existing relationships (e.g., alliances, markets, supply chains) and create high levels of uncertainty as to what lies ahead. It's been argued that the rise of these movements is attributable to the declining size of the middle class in many countries, the massing of wealth by elites, and the declining sense in parts of the population that a positive future is available, given current conditions and trends.⁹¹

Successful change leaders will have a keen sense of the opportunities and dangers involved in global, national, and local political shifts. If leaders are behaving in a manner consistent with corporate social responsibility, they will also have a keen sense of the opportunities and dangers related to the issues themselves.

The Economy

In 2007, the world economy crashed into financial crisis and appeared headed for a 1930s-style depression. Trillions of dollars of asset-backed paper became valueless, seemingly overnight. Investors and pension funds lost 20% of their value. Global stock markets shrank by \$30 trillion, or half their value.⁹² The American housing market, which provided an illusory asset base, collapsed and led to the credit crisis. Firms that had been chastised for having too much cash on hand and for missing opportunities suddenly became the survivors when credit vanished. At the firm level, the economic crisis led to layoffs and bankruptcies. Firms saw their order books shrink and business disappear. Entire industries, such as the automotive industry, were overwhelmed, and certain large automotive manufacturers might have vanished if not for government bailouts.

While the period from 2009 to 2019 was much more positive economically, many governments did not take advantage of better times to significantly reduce their debt levels. Access to money at extremely low interest rates seemed simply too tempting to resist. The World Bank estimated debt levels in the developing world increased 7% per year during this period.⁹³ While increases in most developed nations were more constrained, the arrival of COVID-19, followed by the war in Ukraine, changed everything. The 2020–2022 period saw dramatic increases globally in national debt levels and economic turbulence fueled by shutdowns, severely strained health care systems, supply chain disruptions, accelerating inflation, and then in spring 2022, war. Many economists argue that the escalating debt levels are not sustainable and, as such, represent significant economic risks.⁹⁴ Decision makers in 2022, in virtually every sector, have found themselves trying to process all this information in order to sort out how their organizations should respond.⁹⁵

HOW AIRBNB RESPONDED TO THE COLLAPSE OF ITS MARKET

Airbnb was a poster child for success in the 2010s. Then along came COVID-19 and the collapse of its markets globally as governments reacted with lockdowns and travel restrictions, and people suspended any travel plans they had. By April, gross bookings had declined by 72% (year over year). Rather than surrender, the organization mobilized for action. Brian Chesky, CEO and founder, communicated the direness of the situation to all and set out how the company proposed to respond and restructure in a principled manner. It refocused on its core business (accommodation rentals),

laid off 25% of the workforce, dealt with employees and other stakeholders openly and ethically, raised \$2 billion, spent more than \$1 billion to honor cancellation refund requests, and created optimism in very dark times through its vision of the future. The founders noted that “a crisis brings you clarity about what is important. You become thankful for not only what you have in life, but for who you have in your life. We are thankful for everyone who stuck by us during our darkest hours.”

Though Airbnb is a larger organization, many small businesses faced similar challenges as they struggled through the economic crises in 2020–2022. Many did not survive. Those that did were able to do so because they were able to be flexible and adaptive and to manage their overhead and debt while sustaining customer and employee loyalty.⁹⁶

The organizational lessons of the 2007–2022 economic period appear to center on the importance of the ability to access and leverage resources, manage risk, promote innovativeness, and respond with flexibility, adaptiveness, resilience, and focus. The lessons also point to the importance of the exercise of skilled principled leadership, ethical behavior, attention to building organizational capacity in a focused manner, and the capacity to inspire loyalty and commitment through actions and the shared vision. In other words, leaders showed a willingness to embrace change leadership and use their management skills. In a world in which everything is interconnected, leaders and their organizations need to respond quickly. In order to do so, organizations need the capacity to weather numerous challenges. Ideally, leaders will incorporate the mechanisms to anticipate challenges and adapt their management and leadership practices to hold together the underlying social fabric of the firm. However, in many situations, these anticipatory mechanisms will not have been accessed in a timely manner or were not available, and change agents will need to rely on their ability to adapt and change as the environment shifts.

See **Practitioners’ Exercise 1.2** to practice thinking about environmental forces facing an organization you know.

THE IMPLICATIONS OF WORLDWIDE TRENDS FOR CHANGE MANAGEMENT

The economic globalization of the world, the demographic and social shifts around the globe, technological changes, environmental and ecological pressures, and the political and economic uncertainties around the world form the reality of organizational environments. Predicting specific short-run change is a fool’s errand. Nevertheless, change leaders need to have a keen sense of just how these seemingly external events impact internal organizational dynamics. “How will external changes drive strategy and internal adjustments and investments?” has become a critical question that change agents need to address. For example, the rise of the sharing economy disrupted traditional business structures of the hotel and taxi business. Airbnb and Uber have both capitalized on globalization trends and technological innovations to improve access to information relevant to travelers, increase social trust, and, through these mechanisms, changed the way that people travel.⁹⁷

In 2002, Barkema, Baum, and Mannix predicted that certain macro environmental changes would change organizational forms and competitive dynamics and, in turn, lead to new management challenges.⁹⁸ They captured three **macro changes** facing us today: digitization of information; integration of nation-states and the opening of international

markets; and the geographic dispersion of the value chain. These have led to the globalization of markets. This globalization, in turn, is driving significant shifts in organizational forms and worldwide competitive dynamics. Table 1.1 summarizes Barkema and colleagues' article. Column 1 outlines those three macro changes, column 2 suggests new organizational forms and competitive dynamics arising from them, and column 3 emphasizes the new management challenges that arise from these.

Heightened concerns about globalization in the 2021–2022 period is beginning to alter where and how we produce, distribute, and consume things. For example, computer chip shortages in the United States and Europe and disruptions in supply chains have created pressure to increase the capacity to produce closer to home and shortened the length and complexity of our supply chains. However, history teaches us that while globalization pressures ebb and flow, our increasing interconnectedness is here to stay.

The early decades of the 21st century have seen accelerated change in comparison to the latter part of the 20th century. Diversity, synchronization and time-pacing requirements, data-driven decision-making, the frequency of environmental discontinuities, quick industry life cycles and, in consequence, product and service obsolescence all suggest greater complexity and a more rapid organizational pace for today and tomorrow.

TABLE 1.1 ■ New Organizational Forms and Management Challenges Based on Environmental Change

Macro Changes and Impacts	New Organizational Forms and Competitive Dynamics	New Management Challenges
<ul style="list-style-type: none"> • Digitization leading to faster information transmission, lower-cost information storage and transmission • Integration of nation-states and opening of markets • Geographic dispersion of the value chain • All leading to globalization of markets 	<ul style="list-style-type: none"> • Global small and medium-sized enterprises • Global constellations of organizations (i.e., networks) • Large, focused global firms • All leading to spread of autonomous, dislocated teams, digitally enabled structures, intense global rivalry, and running faster while seeming to stand still 	<ul style="list-style-type: none"> • Greater diversity • Greater synchronization requirements • Greater time-pacing requirements • Faster decision-making, learning, and innovation • More frequent environmental discontinuities • Faster industry life cycles • Faster newness and obsolescence of knowledge • Risk of competency traps where old competencies no longer produce desired effects • Greater newness and obsolescence of organizations

Source: Adapted from Barkema, H. G., Baum, J. A. C., & Mannix, E. A. (2002). Management challenges in a new time. *Academy of Management Journal*, 45(5), 916–930.

As such, middle managers are having to play increasingly significant roles in making change effective in their organizations in both evolutionary and revolutionary scenarios. Barkema et al. argue that much change today deals with midlevel change—change that is more than incremental but not truly revolutionary. However, increasing rates of disruption in retail, finance and banking, technology, manufacturing, mining, media, insurance, and other sectors is challenging this assumption and giving rise to the belief that if we don't disrupt ourselves, our competitors will.⁹⁹

Four Types of Organizational Change

Organizational changes come in different shapes and sizes: mergers, acquisitions, buy-outs, downsizing, restructuring, outsourcing the human resource function or computer services, departmental reorganizations, installations of new incentive systems, shutting particular manufacturing lines, opening new branches in other parts of the world, and the list goes on. All of these describe specific organizational changes. Nadler and Tushman classified such changes into two broad categories: episodic or discontinuous change and continuous change (see Table 1.2). That is, change can be dramatic and sudden, such as the introduction of a new technology that makes a business obsolete or a new government

TABLE 1.2 ■ Types of Organizational Change

	Incremental/Continuous	Discontinuous/Radical
Anticipatory	<p>Tuning Incremental change made in anticipation of future events Need is for internal alignment Focuses on individual components or subsystems Middle-management role: implementation is the major task For example, a quality improvement initiative from an employee improvement committee</p>	<p>Redirecting or Reorienting Strategic proactive changes based on predicted major changes in the environment Need is for positioning the whole organization to a new reality Focuses on all organizational components Senior management creates sense of urgency and motivates the change For example, a major change in product or service offering in response to opportunities identified</p>
Reactive	<p>Adapting Incremental changes made in response to environmental changes Need is for internal alignment Focuses on individual components or subsystems Middle-management role: implementation is the major task For example, modest changes to customer services in response to customer complaints</p>	<p>Overhauling or Re-creating Response to a significant performance crisis Need to reevaluate the whole organization, including its core values Focuses on all organizational components to achieve rapid, systemwide change Senior management creates vision and motivates optimism For example, a major realignment of strategy, involving plant closures and changes to product and service offerings, to stem financial losses and return the firm to profitability</p>

Source: Adapted from Nadler, D. A., & Tushman, M. (1989, August). Organizational frame bending: Principles for managing reorientation. *Academy of Management Executive*, 3(3), 196.

regulation that immediately shifts the competitive landscape. Or change can be gradual, such as the alteration of core competencies of an organization through training and adding key individuals.

Under dramatic or episodic change, organizations are seen as having significant inertia. Change is infrequent and discontinuous. Reengineering programs are examples of this type of change and can be viewed as planned examples of injecting significant change into an organization. On the other hand, under continuous change, organizations are seen as more emergent and self-organizing, where change is constant, evolving, and cumulative.¹⁰⁰ Japanese automobile manufacturers led the way in this area with *kaizen* programs focused on encouraging continuous change. In the technology sectors, collaborative approaches, facilitated by social networks that extend beyond corporate boundaries, are giving rise to continuous change models for organizational adaptation, growth, and renewal.¹⁰¹

A second dimension addressed by Nadler and Tushman (see Table 1.2) related to whether the response to change occurred in a proactive, planned, and programmatic fashion or reactively in response to external events. Programmatic or planned change occurs when managers anticipate events and shift their organizations as a result. For example, Intel, a multinational semiconductor chip maker headquartered in California, anticipates and encourages a cycle of computer chip obsolescence.¹⁰² As a result, the organization has been designed to handle this obsolescence. Alternately, shifts in an organization's external world can lead to a reaction on the part of the organization. For example, the emergence of low-cost airlines has led to traditional carriers employing reactive strategies, such as cutting routes, costs, and service levels in an attempt to adapt.¹⁰³

Nadler and Tushman combine these two dimensions in a useful model illustrating different types of change (see Table 1.2). They define four categories of change: tuning, adapting, redirecting or reorienting, and overhauling or re-creating.

Tuning is defined as small, relatively minor changes made on an ongoing basis in a deliberate attempt to improve the efficiency or effectiveness of the organization. Responsibility for acting on these sorts of changes typically rests with middle management. Most improvement change initiatives that grow out of existing quality-improvement programs would fall into this category. **Adapting** is viewed as relatively minor changes made in response to external stimuli—a reaction to things observed in the environment, such as competitors' moves or customer shifts. Relatively minor changes to customer servicing caused by reports of customer dissatisfaction or defection to a competitor provide an example of this sort of change, and once again, responsibility for such changes tends to reside within the role of middle managers.

Redirecting or reorienting involves major, strategic change resulting from planned programs. These frame-bending shifts are designed to provide new perspectives and directions in a significant way. For example, a shift in a firm to develop a customer service organization and culture would fall into this category. Finally, **overhauling or re-creation** is the dramatic shift that occurs in reaction to major external events. Often, a crisis situation forces the change—thus, the emergence of low-cost carriers forced traditional airlines to re-create what they do. Likewise, the credit crisis bankrupted General Motors and forced a complete overhaul and downsizing of the company.

The impact of the change increases as we move from minor alterations and fine-tuning to changes that require leaders to reorient and recreate the organization. Not surprisingly, reorienting and recreating an organization is much more time-consuming and challenging to lead effectively. These activities also have a greater impact on individuals who must

reorient themselves. Regardless of difficulty, the COVID-19 crisis forced companies to react. While there is no data that we know of to confirm this, anticipatory organizational change did not seem to prepare organizations for the dramatic shift in the global business environment presented by COVID-19. While planning can help organizational members think about risk and survive the crisis. The escalating interest in heightening adaptive capacities within organizations reflects the importance of this.¹⁰⁴

An examination of the history of British Airways provides a classic example of a single organization facing both incremental and discontinuous change while both anticipating issues and being forced to react.¹⁰⁵

BRITISH AIRWAYS: STRATEGIC AND INCREMENTAL CHANGE

Todd Jick's case study describes the crisis of 1981. British Airways' (BA's) successful response in the 1980s was revolutionary in nature. During that period, BA revolutionized its culture and its view of the customer, with outstanding results. In the 1990s, BA entered a period of slow decline as the systems and structures at BA became increasingly incongruent with the new deregulated environment and successful competitors that were spawned by that environment.

Major upheavals in international travel pushed BA into a reactive mode following 9/11, and the results of management's attempts to develop new strategies were unclear for a considerable period. A strike in the summer of 2003 created more uncertainty for the firm.¹⁰⁶ The dramatic rise in oil costs during 2007 and 2008 forced BA to cut costs and implement a merger with Iberia. These strategic moves to cut costs were matched by more incremental internal actions to limit the wages of cabin staff to match those of its competitors. These changes led to limited strike action in 2010 and a negotiated resolution in 2011, which was facilitated by the arrival of new chief negotiators on both sides—Keith Williams, BA's new president, and Len McCluskey, the union's new general secretary. Fleet renewal (its first Airbus A380 was put into service in 2013), along with ongoing changes to systems, processes, and procedures were undertaken in and around that time.¹⁰⁷

Roll the clock forward to 2022, and new and recurring strategic and operational challenges have emerged that BA must manage. These include challenges related to scaling and staffing flight operations in the aftermath of COVID, coping with escalated fuel costs, dealing with flight delays and cancellations caused by war, staff shortages, and gridlock at airports due to staffing issues there, deteriorating customer satisfaction, data security, and other IT-related issues (e.g., a global IT failure that resulted in the cancellation of dozens of flights and grounded thousands of people on March 30, 2022).¹⁰⁸ These mark the continuance of this company's change journey, marked by both strategic and incremental change demands and initiatives.

While incremental initiatives represent the majority of the actions that organizations undertake, it is inevitable that the need for more radical change will emerge from time to time. Developing competencies that can enhance an organization's capacity to respond to both evolutionary *and* revolutionary-disruptive changes is clearly needed, and leaders' incremental change management skills set the stage for coping with bigger changes that will come. If one observes what happens when continuous improvement processes have been effectively employed,¹⁰⁹ one sees organizational team members that are more

energized, goal directed, cohesive, and increasingly able to respond effectively because of the new things they are learning. Such individuals expect that tomorrow will be a little different from today. When more radical or disruptive changes need to be embraced, these individuals experience less fear of what lies ahead because of their earlier experiences with facilitating change. Organizational change is part of daily life for them.

Many people think of **incremental/continuous change** and **discontinuous/radical change** as states rather than a perspective or a spectrum of the magnitude of the change. From an organization's point of view, a departmental reorganization might seem incremental. However, from the department's perspective, it may seem discontinuous and radical. As Morgan puts it,

A mythology is developing in which incremental and quantum change are presented as opposites. Nothing could be further from the truth... True, there is a big difference between incremental and quantum change when we talk of results (but) incremental and quantum change are intertwined. As we set our sights on those 500% improvements, remember they're usually delivered through 5, 10, and 15% initiatives.¹¹⁰

The perception of the magnitude of the change lies in the eyes of the beholder. Incremental changes at the organizational level may appear disruptive and revolutionary at a departmental level. However, as noted earlier, those who are accustomed to facing and managing incremental change on a regular basis will likely view more revolutionary changes in less threatening terms. Those who have not faced and managed change will be more likely to view even incremental changes as threatening.

Organizational members need to learn to accept and value the perspectives of both the adaptors (those skilled in incremental change) and the innovators (those skilled in facilitating radical change).¹¹¹ As a change agent, personal insight regarding your abilities and preferences for more modest or more radical change is critical. The secret to successful organizational growth and development over time lies in the capacity of organizational members to embrace both approaches to change at the appropriate times and to understand that they are, in fact, intertwined.¹¹²

Planned Changes Don't Always Produce the Intended Results

To this point, it is clear that change—from simple fine-tuning to radical reconstruction—is a necessary prerequisite to organizational survival. However, successful change is extremely difficult to execute as the scope and complexity increases. Many types of change initiatives have failed: reengineering, total quality management, activity-based costing, joint optimization, strategic planning, and introducing network structures.¹¹³ If change leaders were to fully consider the failure rates when designing interventions, fear would likely trump action. As one manager put it, “The opportunity has turned out to be 10 times what I thought it would be. The challenges have turned out to be 20 times what I thought they were!”¹¹⁴

Unfortunately, inaction and avoidance are no solution. Maintaining the status quo typically does not sustain competitive advantage, particularly in troubled organizations. Delays and half-hearted efforts that begin only after the problems have become critical increase costs and decrease the likelihood of a successful transformation. As Hamel and Prahalad put it, “No company can escape the need to re-skill its people, reshape its product portfolio, redesign its process, and redirect resources.”¹¹⁵ Organizations that consistently

demonstrate their capacity to innovate, manage change, and adapt over the years are the ones with staying power.¹¹⁶

Hamel and Prahalad believe that restructuring and reengineering, on their own, do little to increase the capabilities of the firm. These two Rs increase profitability and can enhance competitiveness, but “in many companies...re-engineering (and restructuring)...are more about catching up than getting out in front.”¹¹⁷ Hamel and Prahalad argue that companies need to regenerate their strategy and reinvent their industry by building their capacity to compete. These transformations and realignments that result are sustained marathons, not quick fixes. Skilled change agents provide a coherent vision of the change and do all that they can to help people adapt and embrace the changes with realistic expectations. When change recipients understand that things will often get worse before they get better but also believe that the benefits will be well worth the effort, change initiatives are more likely to be sustained.¹¹⁸ For example, as costs rise in China, the environment is shifting manufacturing elsewhere, including a rebirth of manufacturing in the United States. This trend demands a continuing evolution of strategy as well as reshaping of supply chains to alter ingrained overseas production practices that have evolved over the past 15 years—changes that manufacturing and supply chain managers may have difficulty adjusting to.¹¹⁹

Radical solutions both terrify and fascinate managers. Often, managers are comfortable with relatively small technological fixes as the source of products, services, efficiency, and effectiveness. However, they tend to fear interventions that seem to reduce their control over situations, people, and outcomes. When organizations embrace technology but not people, they pay a steep price. They reduce the likelihood that the change will produce the desired results, and they fail to take advantage of the collective capacity of organizational members to improve operations, products, and services. To say the least, such managerial responses are extremely wasteful of human capacity and energy. Investment in infrastructure alone is insufficient,¹²⁰ and as a result, increasing attention is being directed toward matters such as employee engagement, commitment, and organizational agility (the ability to rapidly and successfully adapt to changing conditions).¹²¹

ORGANIZATIONAL CHANGE ROLES

Change leaders need a vision and purpose and need to be actively engaged in an organization's life. In contrast, passive recipients of change may see themselves as subject to the whims of others, as helpless, and perhaps even as victims. As a passive recipient, one's self-esteem and self-efficacy may feel as if they are under attack.¹²² One's self-perception of power and influence may diminish, and the person may feel acted on. Leaders sometimes talk about the importance of aligning employees to the strategic direction of a change initiative. If, however, one is the recipient of change, the experience of “being aligned or realigned” by someone else may not feel very good.

What are the four primary roles in organizational change? **Change initiators**, or champions, frame the vision for the change and/or provide resources and support for the initiative. There will be **change implementers** who make happen what the champions envision. Some individuals will play a role in facilitating change—**change facilitators** will assist initiators and implementers in the change through their contacts, access to resources, and consultative assistance. Finally, there are individuals who will be on the receiving end of change: these folks are the **change recipients**.

Of course, one person might play multiple roles. That is, a person might have a good idea and talk it up in the organization (change initiator); take action to make the change occur (change implementer); talk to others to help manage the change (change facilitator); and, ultimately, be affected by the change, too (change recipient). Change initiators, change implementers, change facilitators, and even change recipients are different roles that are played by the change leader at different points in time. At different points, the person leading the change may be initiating, implementing, facilitating, or even acting as a recipient, depending upon the roles that they believe will be most helpful in advancing the change initiative. Not all these roles fall into the traditional definition of leadership, and other labels have been used in the past, such as *change manager* and *change agent*. In this book we will use the terms **change leader** and **change agent** interchangeably, to reflect the fact that individuals in these roles have to be adept at shifting roles, as needed, to move the change forward. Table 1.3 outlines the roles that people play in organizational change.

Change Initiators

Change initiators get things moving, take action, and stimulate the system. They are the ones seeking to initiate change to make things better. They identify the need for change, develop the vision of a better future, take on the change tasks, and champion the initiative. Change initiators may face considerable risk in the organization. To use a physical metaphor, action creates movement, movement creates friction, and friction creates heat! And creating heat may help or hurt one's career. Change initiators need to take calculated actions and be prepared to undertake the work needed to create powerful arguments, build coalitions, and earn buy-in for the change from the organization's leaders and other organizational members.

Change initiators will find useful aids for change in this book. The authors cannot supply the passion and powerful vision needed by initiators, but we can point out the requirements of successful change: planning, persuasion, passion, and perseverance. And we can provide frameworks for analysis that will enhance the likelihood of successful change.

Change initiators need to be dogged in their desire and determination. Those who succeed will earn reputations for realistic, grounded optimism, for a good sense of timing, and for not giving up. If nothing else, the opposition may tire in the face of their

TABLE 1.3 ■ Organizational Change Roles

Roles	Role Description
Change initiator	The person who identifies the need and vision for change, champions the change, and advocates for it in the organization.
Change implementer	The person who has responsibility for making certain the change happens, charting the path forward, nurturing support, and alleviating resistance.
Change facilitator	The person who assists initiators, implementers, and recipients with the change-management process. Identifies process and content change issues and helps resolve these, fosters support, alleviates resistance, and provides other participants with guidance and counsel. Individuals in this role also often play a coaching role.
Change recipient	The person who is affected by the change. Often the person has to change their behavior and/or their work habits to ensure the change is effective.

persistence. Better yet are those who have the uncanny ability to creatively combine with others into a coalition that turns resisters into allies and foot draggers into foot soldiers and advocates for change.

Change Implementers

Many would-be and existing managers find themselves as change implementers. Others may initiate the change, but it is left to the implementers to make it work. This role is critical. Pfeffer argues that effectiveness doesn't come from making the critical decisions but rather from managing the consequences of decisions and creating the desired results.¹²³ As he says, "If change were going to be easy, it would already have happened." The change implementer's role is important and needed in organizations. Without it, there is no bridge to the desired end state—no sustained integrated approach.¹²⁴

Change implementers will find much in this book to assist them. They will find guidance in creating and increasing the need for the changes that change initiators are demanding. They will find tools for organizational diagnosis and for identifying and working with key stakeholders. And they will find concepts and techniques to facilitate the internal alignment of systems, processes, and people; improve their action plans and implementation skills; and help them sustain themselves during the transition.

We encourage and challenge potential change implementers to stay engaged, to stay active, and to be prepared to initiate change themselves when initiation is needed. Oshry identifies the dilemma of "middle powerlessness," in which middle managers feel trapped between tops and bottoms of an organization's hierarchy and become ineffective as a result.¹²⁵ Middle managers have the potential to help transform their organizations by recognizing strategic initiatives that are needed and mobilizing the power of the "middles" to move the organization in the direction needed.

Change Facilitators

Today's complex organizational changes can fail because parties lock into positions or because perspectives get lost in personalities and egos. In such cases, an outside view can facilitate change and help connect people and resources. Change facilitators understand change processes and assist others to cognitively work their way through change issues. They serve as mentors, advisors, and consultants to those more directly involved. Many of those who act as change facilitators do so informally, often on the strength of their existing relationships with others involved with the change. They have high levels of self-awareness and emotional maturity and are skilled in the behavioral arts—using their interpersonal skills to work with teams or groups.

In this book, change facilitators will discover frameworks that will help them to understand change processes. With these frameworks, they will be able to translate concrete organizational events into understandable situations and so ease change. And their knowledge and interpersonal skills will provide change perspectives that will allow managers to unfreeze their positions.

Common Challenges for Managerial Roles

Table 1.4 highlights common sources of difficulty that change initiators, implementers, and facilitators face when attempting to implement planned changes. While there are external factors that can frustrate progress in unanticipated and undesirable

TABLE 1.4 ■ Common Managerial Difficulties in Dealing with Organizational Change

1. Managers are action oriented and assume other rational people will see the inherent wisdom in the proposed change and will learn the needed new behaviors. Or managers assume that they will be able to replace recalcitrant employees.
2. Managers assume they have the power and influence to enact the desired changes, and they underestimate the power and influence of other stakeholders.
3. Managers look at the transition-period activities as a cost, not an investment that increases the prospects for success and reduces failure risks.
4. Managers are unable to accurately estimate the resources and commitment needed to facilitate the integration of the human dimension with other aspects of the change (e.g., systems, structures, technologies).
5. Managers are unaware that their own behavior and that of other key managers may be sending out conflicting messages to employees and, eventually, to customers.
6. Managers find managing human processes unsettling (even threatening) because of the potential emotionality and the difficulties they present with respect to prediction and quantification.
7. Managers simply lack the capacity (attitudes, skills, and abilities) to manage complex changes that involve people. When those managing the change get defensive, the minds of others tend to close rather than open.
8. Managers' critical judgment is impaired due to factors related to overconfidence¹²⁶ and/or groupthink.

directions, this table focuses on ways in which change leaders act as their own worst enemies, self-sabotaging their own initiatives. They stem from predispositions, perceptions, and a lack of self-awareness. The good news is that they also represent areas that a person can do something about if they become self-aware and choose to take the blinders off.

Change Recipients

Change recipients are those who find themselves on the receiving end of change. Their responses will vary from active resistance or passivity to active support depending upon their perceptions of the change, its rationale, and its impact. When people feel acted upon and with little or no voice or control in the process, dissatisfaction, frustration, alienation, absenteeism, and turnover are common responses to demands for change.¹²⁷ This book provides guidance that will help recipients to better understand what is happening to them and their organizations. Further, it will identify strategies and approaches that will help change recipients to take an active role and increase the amount of control they have over organizational events.

Regardless of your role in the organization—change recipient, change implementer, change initiator, or change facilitator—this book contains useful tools. Change recipients will understand what is happening to them and will learn how to respond positively. Change implementers will develop their capacity to use tools that increase their effectiveness, and change initiators will learn to take more effective actions to lever their change programs. Change facilitators will find themselves with new insights into easing organizational change.

See **Practitioners' Exercise 1.3** to think about change roles you've played in the past.

Gary Hamel of Strategos talks about “leading the revolution”—anyone can play the change game. Anyone can seek opportunities, ask questions, challenge orthodoxies, and generate new ideas and directions! And in doing so, individuals from virtually anywhere in an organization (or even outside of it) can become change leaders.¹²⁸ The leaders that started Facebook and Google came from dorm rooms. The local heroes nominated by CNN viewers and profiled on that network come from all walks of life.¹²⁹ Change leaders foment action. They take independent action based on their analysis of what is best for the long-term interests of their organizations or even society, and they recognize the many faces of change and the crucial next steps necessary to meet their long-term change goals. Finally, they recognize who needs to play what roles in order to advance needed change. As such, at different points in time, they fulfill the roles of change initiator, implementer, facilitator, and even recipient, depending upon the needs of the situation, their skills and abilities, and their beliefs about what is required at a point in time to advance the change.

THE REQUIREMENTS FOR BECOMING A SUCCESSFUL CHANGE LEADER

Successful change agents balance keen insight and patience with a driving passion for action. They have that sensitivity to the external world described above and will be skilled anticipators of that world. They have a rich understanding of organizational systems—their system in particular and the degree to which continuous or strategic changes are appropriate. They understand themselves, their influence, and image in their organizational context. They have special personal characteristics—a tolerance for ambiguity, emotional maturity, self-confidence, comfort with power, a keen sense of risk assessment, a need for action and results, and persistence grounded in reasoned optimism and tenacity. Finally, while they are curious and have a strong desire to learn, they also have a deep and abiding distrust of organizational fads and recognize the negative impact of fad surfing in organizations.¹³⁰ Change leaders who see the world in simple, linear terms will have more difficulty creating effective change.¹³¹

Change leaders understand the rich tapestry that forms the organizational culture. They understand the stakeholder networks that pattern organizational life. They recognize the impact and pervasiveness of organizational control systems (organizational structures, reward systems, measurement systems). They know and can reach key organizational members—both those with legitimate power and position and those with less formal influence. And they understand which tasks are key at *this* point in time given *this* environment and *this* organizational strategy.¹³²

Successful change leaders know their personal skills, style, and abilities and how those play throughout the organization. Their credibility is the bedrock on which change actions are taken. Because change recipients will often be cynical and will examine how worthy the leaders are of their trust, change agents must be aware of their personal blind spots and ensure these are compensated for whenever needed.

Change leaders also embrace the paradoxes of change¹³³:

They are involved in both driving change and enabling change. Change leaders understand the need to persist and drive change in their organization. Without such determination, organizational inertia will slow change, and other organizations will race ahead. At the same time, change agents recognize that getting out of the way might be the most helpful management action to be taken. When those around a manager are following a

passion, the best thing might be to help in whatever way possible or to provide resources to make things happen.

They recognize that resistance to change is both a problem and an opportunity.

Change resistance happens in planned change. Overcoming such resistance is frequently necessary to make progress. However, change leaders recognize that there are often good reasons for resistance—the person resisting is not just being difficult or oppositional; they often have knowledge or perspectives that cast doubt on the wisdom of a particular change initiative. Change leaders need to recognize this and work actively to overcome this paradox.

Good change leaders focus on outcomes but are careful about process. Far too often, change programs get bogged down because a focus on results leads change implementers to ignore good processes. At the same time, too much attention to process can diffuse direction and lead to endless rituals of involvement and consultation. Good change leaders learn how to manage this balance.

Change leaders recognize the tension between getting on with it and changing directions. The environment is always changing. Leaders can always modify their objectives and respond to the environment. But if this is done repeatedly, they never settle on a design and direction and, as a result, will fail to get things done. Keeping the focus on the long-term direction while making adjustments can make sense. The trick is to understand and balance this tension.

Change leaders understand the need to balance patience and impatience.

Impatience may prove very helpful in overcoming inertia and fear, generating focus, energizing a change, and mobilizing for action. However, patience can also prove a valuable tool in reducing tension and establishing focus and direction by providing time for people to learn, understand, and adjust to what is being proposed.

Finally, change leaders know that in today's global competition, what matters is not the absolute rate of learning but rather the rate of learning compared to the competition. And if your organization doesn't keep pace, it loses the competitive race.

SUMMARY

This chapter defines organizational change as a planned alteration of organizational components to improve the effectiveness or efficiency of the organization. The forces that drive change today are classified under PESTEL: political, economic, social, technological, ecological/environmental, and legal. Four types of organizational change—tuning, reorienting, adapting, and recreating—are outlined. Finally, the nature of change leaders is discussed, and some of the paradoxes facing them are examined.

This chapter outlines the change roles that exist in organizations: change initiator, change implementer, change facilitator, and change recipient. Change leaders could be any of the four roles: initiator, implementer, facilitator, or recipient, or a combination of them.

Finally, the chapter outlines a summary checklist and critical questions that change leaders need to consider when thinking through matters related to how to change and what to change. See **Practitioners' Exercise 1.1** for critical thinking questions related to the concepts presented in this chapter.

KEY TERMS

Change facilitator: the person who assists initiators, implementers, and recipients with the change-management process. Identifies process and content change issues and helps resolve these, fosters support, alleviates resistance, and provides other participants with guidance and counsel.

Change implementer: the person responsible for making certain the change happens, charting the path forward, nurturing support, and alleviating resistance.

Change initiator: the person who identifies the need and vision for change and champions the change.

Change leader or change agent: the person providing leadership and direction for the change by engaging, at different points, in the roles of change initiator, implementer, facilitator, and even change recipient.

Change management: is based in a broad set of underlying disciplines (from the social sciences to information technology) and tends to be strategy driven, with attention directed to whatever factors are assessed as necessary to the successful design and implementation of change.

Change recipient: the person who is affected by the change. Often the person who has to change their behavior and/or work habits to ensure the change is effective.

Discontinuous/radical changes: changes that are broad in scope and impact and that may involve strategic repositioning. They usually occur in anticipation of or reaction to major environmental changes and are discontinuous in that they involve changes that are *not* incremental in nature and are disruptive to the status quo.

Incremental/continuous changes: organizational changes that are relatively small in scope and incremental in nature. They may stem from the fine-tuning of existing practices or represent an incremental adaptation to environmental changes. Depending on the perspective of the change recipient, incremental change can be perceived as discontinuous/radical change.

Leading and managing change: includes necessary skills that allow individuals to operate effectively in today's fluctuating, shifting organizations. It is up to managers and employees to shift the organization in a way that accomplishes goals and objectives.

Macro changes: large-scale environmental changes that are affecting organizations and what they do.

Organizational change: for the purposes of this book, organizational change is defined as a planned alteration of organizational components to improve the effectiveness of the organization. By organizational components, we mean the organizational mission and vision, strategy, goals, structure, process or system, technology, and people in an organization. When organizations enhance their effectiveness, they increase their ability to generate value for those they are designed to serve.

PESTEL factors: the political, economic, social, technological, and ecological/environmental, and legal factors that describe the environment or context in which the organization functions.

Types of Organizational Change

Tuning: defined as small, relatively minor changes made on an ongoing basis in a deliberate attempt to improve the efficiency or effectiveness of the organization.

Adapting: viewed as relatively minor changes made in response to external stimuli—a reaction to things observed in the environment such as competitors’ moves or customer shifts.

Redirecting or reorienting: major, strategic change resulting from planned programs. These frame-bending shifts are designed to provide new perspectives and directions in a significant way.

Overhauling or re-creation: the dramatic shift that occurs in reaction to major external events. Often, there is a crisis situation that forces change.

PRACTITIONERS’ EXERCISES

Exercise 1.1

Critical Thinking Questions

1. Did You Know 2021—6:02 minutes

<https://www.youtube.com/watch?v=fbcMPGyPr8k>

This video helps us visualize the rate of change in the environment.

- Choose one fact and discuss how it may impact change initiatives for an organization you’re familiar with.
- Which facts listed do you think will have the most long-term implications for organizations in the future?
- Find a video that outlines ecological and environmental changes and consider their implications for you and organizations you’re familiar with.
- Brainstorm other political, economic, social, technological, environmental/ecological, and legal factors that you think may be true in 5 years, 15 years, and 25 years and consider their implications for individuals, organizations, and society.

2. IBM Study: Making Change Work—2:57 minutes

<https://www.youtube.com/watch?v=2ol9zYw4Chg&t=8s>

The video discusses an IBM study showing that only 60% of change projects succeed. It discusses factors that seem to increase the chances for success.

- List reasons (both in the video and those not mentioned) that explain why change projects often fail.
- Can you think of similar instances of change project failure from your own experience?
- What are the main takeaways about how to increase the success of a change initiative?

3. Individually or in groups, pick a product or service and then go to the Web and explore what technological and/or geopolitical changes are occurring that could seriously disrupt existing organizations in that sector. Then pick an organization that would be affected and identify the changes you’d undertake to help it adapt and thrive. For example, if you owned a taxi firm in New York City, how would you prepare for the potential arrival of self-driving cars?

Exercise 1.2

Analyzing Your Environment

Select an organization you are familiar with. What are the key environmental issues affecting this organization? List the factors under each subheading and their implications for the organization.

Factors	Proactive Implications	Reactive Implications
Political		
Economic		
Social		
Technological		
Ecological/ Environmental		
Legal		

Exercise 1.3

Change Roles in Your Organization

Think about organizations that you are familiar with—organizations for which you have worked, schools you've attended, and organizations you've volunteered for such as a baseball league or a church.

Think about changes, large or small, that have taken place in those organizations. Take a moment to describe a situation when you filled each of the change roles (return to Table 1.4 on page 29 for definitions of each role). How did the role feel? What did you accomplish in the role?

- When did you play the role of a change initiator?
- When did you play the role of a change implementer?
- When did you play the role of a change facilitator?
- When did you play the role of a change recipient?